

# Discussion of Local Impacts of Machinery and Equipment Sales and Use Tax Exemption

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# Sales and Use Tax Distribution

- ▶ 5% to General Fund – retail sales, retail use, and consumer’s use returns
  - In Flood Mitigation districts, diverts increment over base up to annual award – retail sales returns
  - In Reinvestment districts, diverts 4% of new sales at hotels and other retailers – retail sales returns
- ▶ 1% to Secure an Advanced Vision for Education – retail sales, retail use, and consumer’s use returns
- ▶ 1% Local Option Sales Tax – retail sales returns
  - In Sales Tax Increment Financing districts, diverts LOST increment – retail sales returns

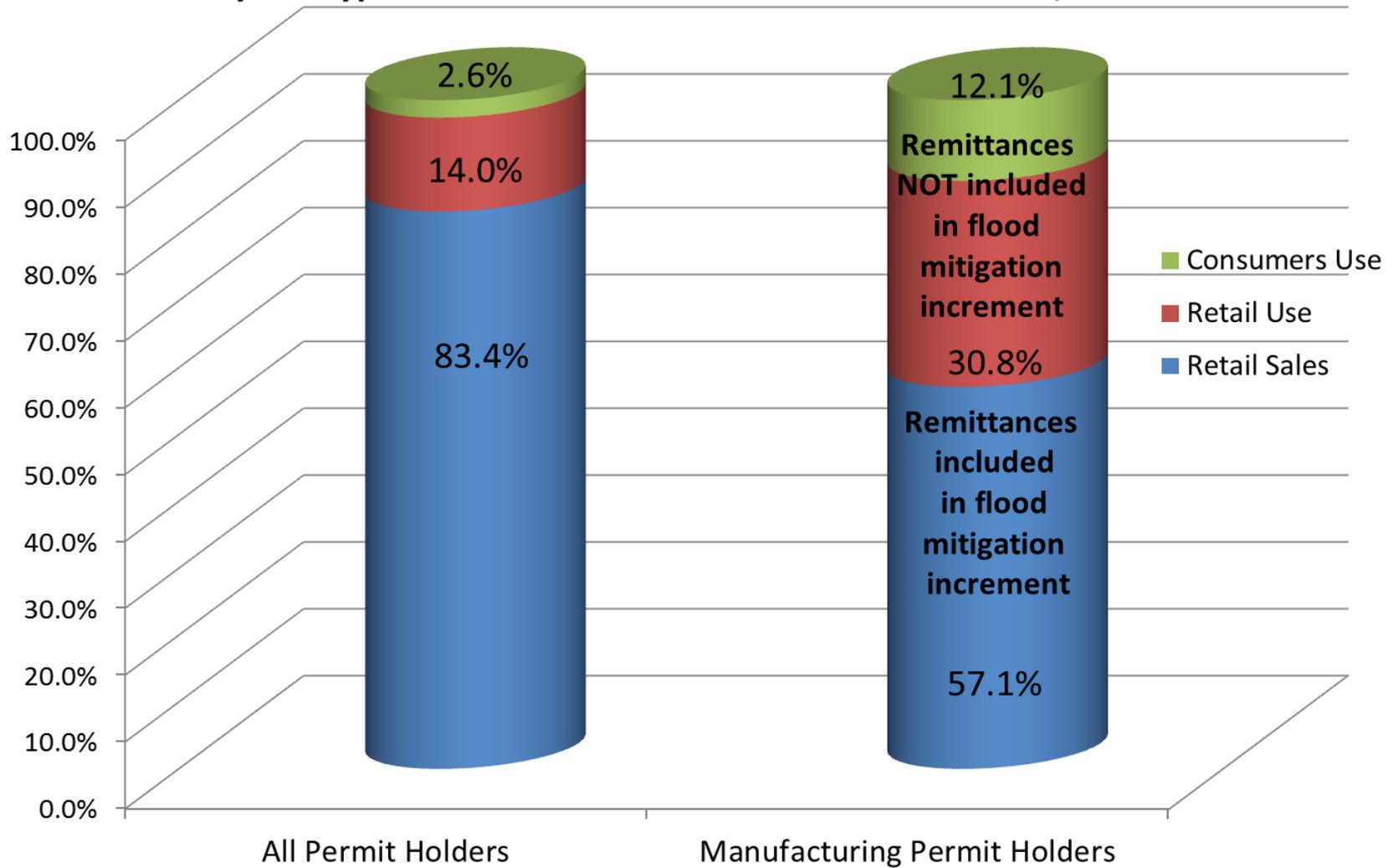
# Sales and Use Data

- ▶ Sales and Use Tax permit holders are assigned an industry code
  - Retail sales and use permit holders – indicates the industry of the business making the sale
  - Consumer's use permit holders – indicates the industry of the business making the purchase
- ▶ Returns do not indicate the specific types of sales or purchases made by permit holder
  - Gross sales, aggregate exempt sales, taxable sales

# Change under AIRC 2178C

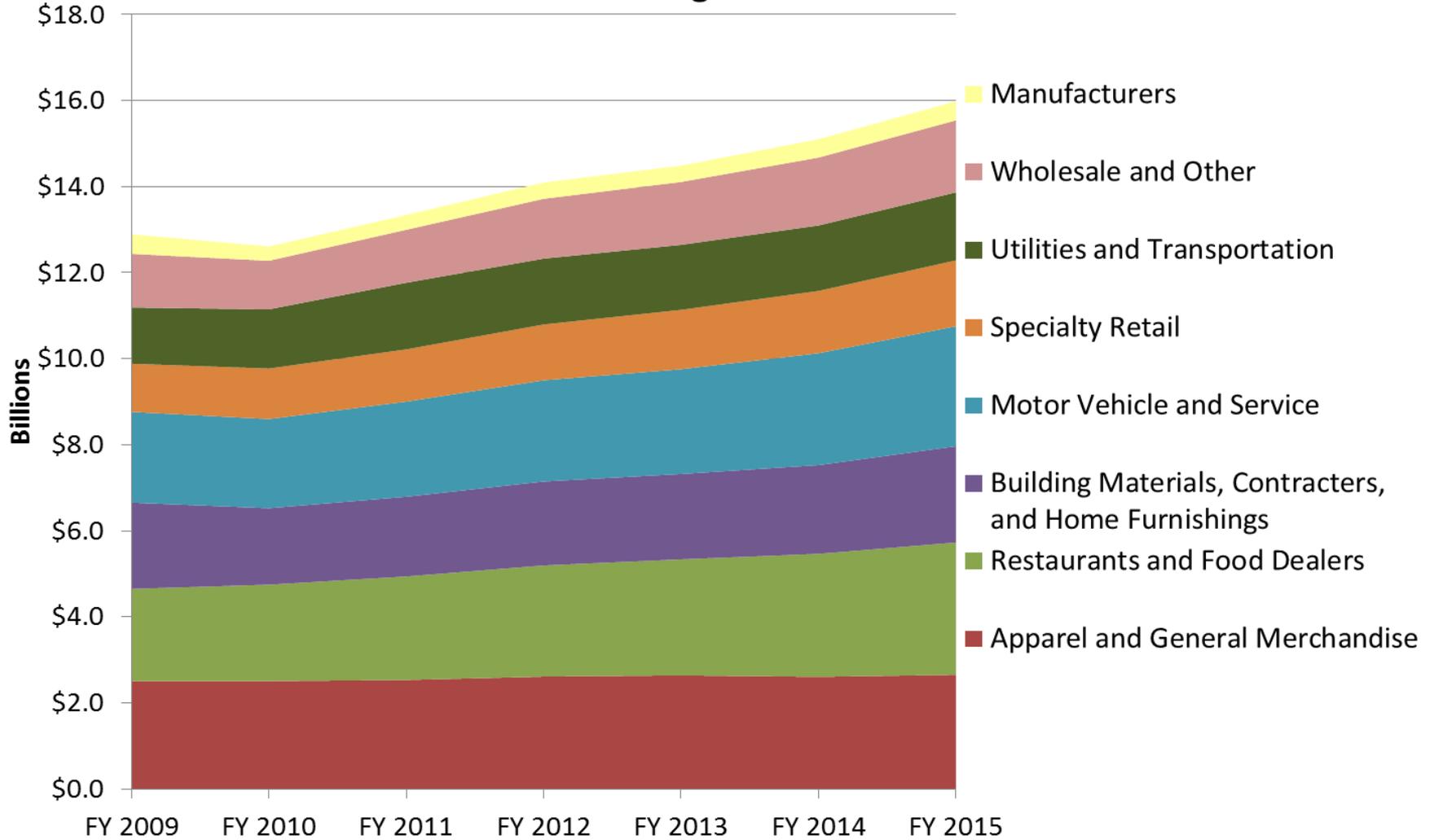
- ▶ Assumed that reduction in taxable sales most likely to be reported by manufacturers
  - Retail sales permit holders producing impacted items selling to other manufacturers in Iowa
  - Retail use permit holders producing impacted items outside of Iowa selling to Iowa manufacturers
  - Consumer's use permit holders purchasing impacted items

## Statewide Distribution of Sales and Use Tax Liability by Tax Type for All Permit Holders and Manufacturers, FY 2014

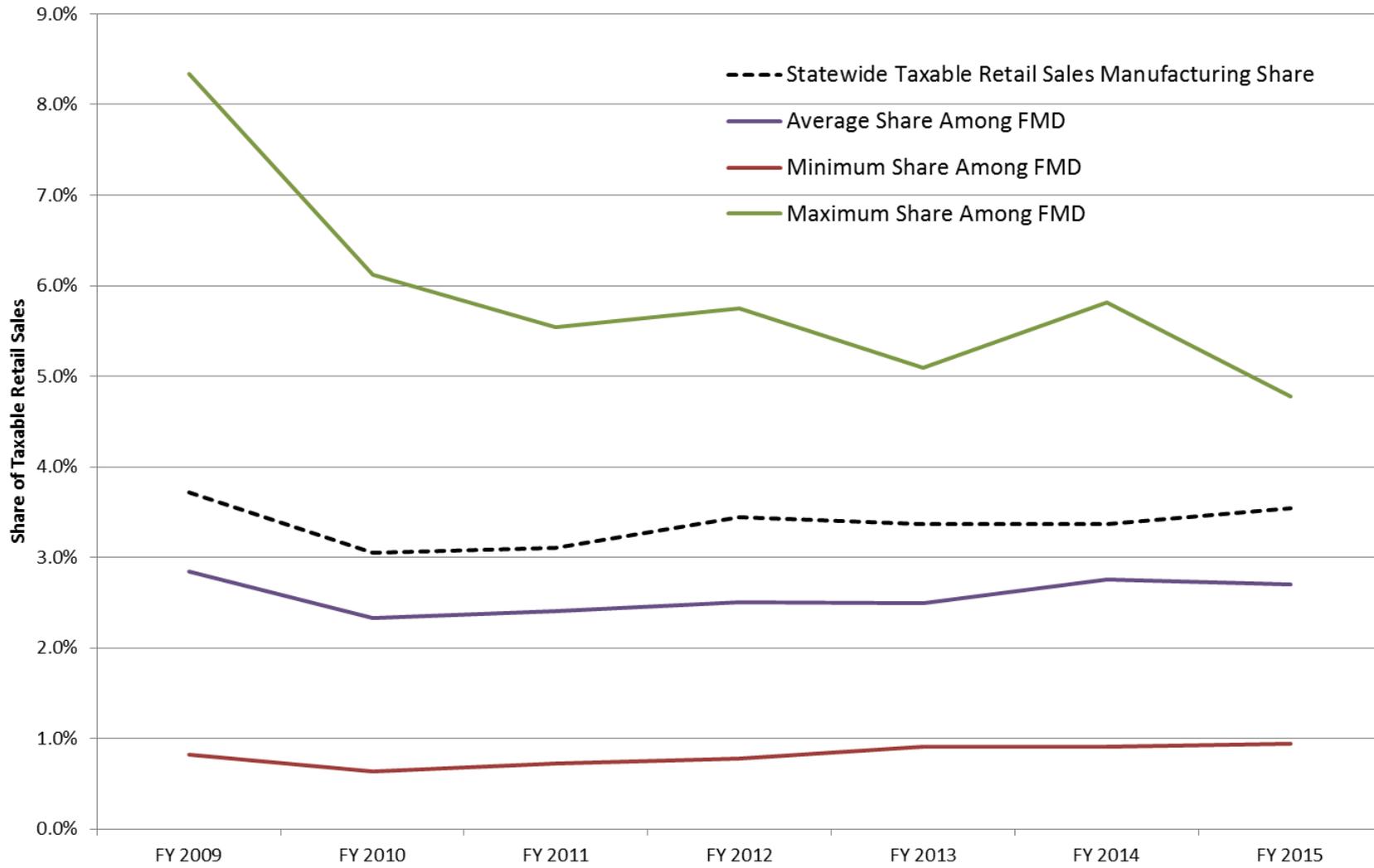


Source: Iowa Department of Revenue Sales and Use Tax database

## Estimated Retail Taxable Sales by Business Group of Seller, Total Over the Ten Flood Mitigation Districts FY 2009-2015



# Share of Taxable Retail Sales Remitted by Manufacturers, Annual Range Among Flood Mitigation Districts Compared to Statewide



# Share of Manufacturing in FMD

- ▶ Average below statewide average
  - ▶ Four districts above statewide average in some years
  - ▶ Big drop in maximum share resulting from Great Recession – not recovered
  - ▶ During this time, Sherwin Williams case in 2009 and expansion of manufacturing exemption in FY 2013
  - ▶ Current risk – manufacturing slowdown
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# Potential Impact on SAVE

- ▶ SAVE distribution calculation on per pupil basis
  - \$922.60 in FY 2015
  - \$953.01 forecast in FY 2016
- ▶ Based on \$7 million estimated impact in FY 2017
  - \$14.28 estimated impact per pupil
  - \$147,000 impact on PTER (2.1%)

Questions?